

Message Text

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11

ACTION TRSE-00

INFO OCT-01 EA-07 ISO-00 NEA-10 IO-13 AID-05 CIAE-00

COME-00 EB-07 FRB-03 INR-07 NSAE-00 USIA-06 XMB-02

OPIC-03 SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05

SS-15 STR-04 CEA-01 L-03 H-02 PA-01 PRS-01 EUR-12

/117 W

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R 260345Z APR 76

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 4041

INFO AMEMBASSY BANGKOK

AMEMBASSY MANILA

AMEMBASSY SEOUL

AMEMBASSY TOKYO

AMCONSUL HONG KONG

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PASS TREASURY

3. THE VIETNAMESE DELEGATION WAS NOT PRESENT FOR FIRST DAY'S SESSION, AND PRESIDENT INOUE MADE ONLY PASSING REFERENCE TO VIETNAM IN HIS OPENING SPEECH. QUOTE, AS A REGIONAL FINANCE INSTITUTION, THE BANK HAD MADE IN THE EARLIER YEARS SEVERAL LOANS TO ITS THREE MEMBER COUNTRIES IN THE INDOCHINA AREA. OPERATIONS IN CAMBODIA AND SOUTH VIETNAM HAVE STILL NOT REVERTED TO NORMAL BECAUSE OF LACK OF OPERATIONAL CONTACTS UNQUOTE. IN HIS SPEECH AT THE CLOSING SESSION ON APRIL 24, HE WELCOMED THE VIETNAMESE DELEGATION. QUOTE, SINCE THE GOVERNOR FOR THE REPUBLIC OF SOUTH VIETNAM AND HIS DELEGATION WERE NO HERE, FOR UNAVOIDABLE REASONS, ON THE OPENING DAY OF OUR MEETING, MAY I TAKE THIS OCCASION TO OFFER THEM A WARM WELCOME. SEVERAL GOVERNORS HAVE SHOWN A MARKED DEGREE OF UNDERSTANDING OF THE PROBLEMS FACED BY THE INDOCHINA COUNTRIES. THE BANK, ON ITS PART, IS A NON-POLITICAL ENTITY, AND

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WITH THE RESTORATION OF NORMALCY IN DUE COURSE, THE WAY WOULD, I

BELIEVE, BE OPENED
FOR THE BANK TO CONSULT AND CONSIDER ITS FURTHER ROLE, IN THIS
IMPORTANT PART OF OUR REGION UNQUOTE.

4. STATEMENT BY VIETNAMESE GOVERNOR WAS MADE TOWARD END OF CLOSING
SESSION. SPEAKING IN FRENCH, TRAN DUONG OPENED WITH A
RECAPITULATION OF RECENT HISTORY: DESCRIBING THE "ANARCHY" AND
"DISORDER" IN WHICH THE NEW REGIME HAD FOUND THE ECONOMY, AND THE
"CLEAR-SIGHTED AND ENERGETIC" MANAGEMENT WITH WHICH THE PEGVISIONAL
GOVERNMENT HAD MET THE SITUATION. A NEW BANKING SYSTEM AND A NEW
CURRENCY HAD BEEN ESTABLISHED. INFLATION HAD BEEN HALTED. HOWEVER,
THE NEW GOVERNMENT HAD FOUND ITSELF FACED WITH DIFFICULTY IN
MEETING ITS NEEDS FOR FOREIGN EXCHANGE. THE UNITED STATES HAD NOT
ONLY ENDED ALL AID AND EVADED ITS OBLIGATIONS TO CONTRIBUTE TO THE
RECONSTRUCTION OF VIETNAM, BUT QUOTE HAD GONE TOO FAR UNQUOTE BY
DECIDING TO EMBARGO VIETNAM AND TO FREEZE THE ASSETS OF SOUTH
VIETNAMESE BANKS AND INDIVIDUALS IN AMERICAN BANKS. DUONG THEN
PROCEEDED TO DESCRIBE VIETNAM AS COUNTRY WITH GREAT ECONOMIC
POTENTIAL, BUT IN NEED OF MEANS TO EXPLOIT IT. HELP WOULD BE
WELCOME FROM GOVERNMENTS AND ORGANIZATIONS ON THE BASIS OF EQUALITY
AND RECIPROCAL ADVANTAGES AND MUTUAL RESPECT FOR SOVEREIGNTY. QUOTE
WE HOPE THAT THE ADB AND FOREIGN BANKS WILL PLAY AN IMPORTANT ROLE
IN THESE RELATIONSHIPS OF COOPERATION AND ASSISTANCE UNQUOTE.
REUNIFICATION WOULD NOT EFFECT THIS. QUOTE ON APRIL 25, OUR PEOPLE
IN THE TWO ZONES OF NORTH AND SOUTH WILL PROCEED WITH A GENERAL
ELECTION FOR THE ESTABLISHMENT OF A NATIONAL ASSEMBLY FOR THE ENTIRE
COUNTRY, REALIZING THE REUNIFICATION OF THE STATE OF VIETNAM. THE
REUNIFICATION OF OUR COUNTRY WILL NOT EXERCISE ANY INFLUENCE ON OUR
RELATIONS WITH THE ADB; THESE RELATIONS CONTINUING TO BE MAINTAINED
.... WE INTEND TO CONTINUE TO USE THE DEVELOPMENT PROJECTS AND STUDIES

(PROJECTS ET DEVIS) WHICH THE ADB HAD CONSENTED TO SUPPORT
TECHNICALLY AND FINANCIALLY. THESE PROJECTS AND STUDIES WERE TAKEN
OVER IN GOOD CONDITION AND HAVE BEEN WELL MAINTAINED DURING THE
PAST YEAR. IN A NUMBER OF CASES THEIR COMPLETION HAS BEEN
PRESSED INsofar AS POSSIBLE, WITH ADJUSTMENTS APPROPRIATE TO
THE SITUATION AND NEEDS OF OUR COUNTRY. WE EXPECT TO TAKE
UP THE QUESTION IN MORE DETAIL WITH THE MANAGEMENT OF THE
BANK, WITH A VIEW TO THE REALIZATION OF PROJECTS AND STUDIES
ALREADY FINANCED AND TO ESTABLISH COMPLEMENTARY STUDIES
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APPROPRIATE FOR LARGE SCALE DEVELOPMENT. UNQUOTE

5. VIETNAMESE STATEMENT DID NOT REFER TO DEBTS OUTSTANDING
TO THE BANK OR INDICATE WILLINGNESS TO TAKE ON RESPONSIBILITIES
OF MEMBERSHIP. SOME HINT OF THEIR ATTITUDE PROBABLY CONTAINED
PARAGRAPH NEAR CLOSE QTE WE WELCOME ALL INITIATIVES....
ON THE BASIS OF RECIPROCAL
RESPECT AND NON-INTERFERENCE IN

INTERNAL AFFAIRS, OF EQUALITY AND MUTUAL ADVANTAGE. UNQUOTE

6. ADB GENERAL COUNSEL NOW CONSIDERING HOW MEMBERSHIP OF UNIFIED VIETNAM SHOULD BE HANDLED LEGALLY. HE WOULD WISH TO AVOID HAVING BOARD OF GOVERNORS VOTE ON NEW MEMBERSHIP FOR UNIFIED VIETNAM, BUT HE IS NOT ENTIRELY SATISFIED WITH "CHANGE OF NAME" JUSTIFICATION FOR CONTINUED MEMBERSHIP OF UNIFIED VIETNAM WITHOUT GOVERNORS' VOTE BASED ON PRECEDENTS OF UAR AND TANZANIA IN IBRD, WHICH ARE NOT ENTIRELY IN POINT. IT WOULD APPEAR PREMATURE FOR ADB MANAGEMENT OF US TO TRY TO REACH A CONCLUSION

RIGHT NOW CONCERNING THIS MATTER AS TO A CONSIDERABLE EXTENT IT TURNS ON WHAT WILL BE PROVIDED IN NEW VIETNAMESE CONSTITUTION CONCERNING LEGAL STATUS OF INTERNATIONAL AGREEMENTS TO WHICH REPUBLIC OF VIETNAM IS A PARTY.

7. VIETNAMESE DELEGATES HELD INFORMAL DISCUSSION WITH PRESIDENT INOUE. THEY CONFIRMED DESIRE TO REACTIVATE ADB PROJECTS ALREADY BEGUN AND PROCEED WITH OTHERS. ANOTHER SUBJECT DISCUSSED WAS POSSIBLE

CHANGE IN VIETNAM'S POSITION IN COUNTRY BOARD OF DIRECTOR GROUPINGS. VIETNAMESE SAID THEY WOULD WISH TO CHANGE FROM THE GROUP IN WHICH VIETNAM IS INCLUDED WITH REPUBLIC OF KOREA AND REPUBLIC OF CHINA. VIETNAM WOULD PREFER LAOS-AFGHANISTAN-SRI LANKA GROUP. UNDER BANK'S CHARTER IT IS UNCLEAR WHETHER A COUNTRY CAN SWITCH GROUPS BETWEEN ELECTIONS OF DIRECTORS. THERE IS NO PRECEDENT FOR SUCH A SWITCH. IN ANY EVENT, THE BOARD OF DIRECTORS WOULD HAVE TO ISSUE AN INTERPRETATION TO THE EFFECT THAT SWITCH WAS CONSISTENT WITH CHARTER. ALTERNATIVELY, THE VIETNAMESE COULD REQUEST THE LAOS GROUP TO REPRESENT LIMITED OFFICIAL USE

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THEM INFORMALLY ON THE BOARD. SINCE THERE ARE NO FORMAL VOTES IN THE BOARD ON A COUNTRY-BY-COUNTRY BASIS, VIETNAMESE MIGHT FIND INFORMAL REPRESENTATION BY LAOS ADEQUATE. U.S. EXECUTIVE DIRECTOR WILL REPORT IN MORE DETAIL ON VIETNAMESE DISCUSSIONS NEXT WEEK AFTER FULLER DEBRIEF OF BANK STAFF. VIETNAMESE ALL MET WITH IMF AND IBRD REPS. NEWSOM

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